

DIRECTORS

G. A. SAVAGE  
President

PIERRE COTE  
President — Laiterie Laval Ltée

FRANK COWAN  
President — Frank Cowan Company Limited

BRUNO DESJARDINS  
Partner — Simard & Desjardins

DANIEL O'C. DOHENY, Q.C.  
Partner — Doheny, Day, Mackenzie, Grivakes, Gervais & LeMoyne

J. H. KENNEDY  
Vice-President & General Manager — Frank Cowan Company Limited

W. J. MILHAUSEN, P.Eng.  
Partner — Marani, Rounthwaite and Dick

G. W. MILLAR  
President — Beclawat (Canada) Limited

LYLE E. WELLS, P.Eng.  
Executive Vice-President — Frank Cowan Company Limited

OFFICERS

GEORGE A. SAVAGE ..... President & Chief Executive Officer

FRANK COWAN ..... Vice-President

BRUNO DESJARDINS ..... Vice-President and Secretary

DOUGLAS M. CHADWICK ..... Treasurer

OPERATIONS MANAGEMENT

ARAM SEMERJIAN Ass't. Vice-President, Ass't. General Manager and Property Underwriting Manager	MILDRED L. JONES Ass't. Vice-President and Guarantee-Fidelity Manager
DOUGLAS R. SMITH Ass't. Secretary and Investment Manager	BERNARD SOUCHEREAU Automobile Underwriting Manager
J. ANDRÉ LAPIERRE Claims Manager	JOHN LEDDEN Controller

SERVICE OFFICES

QUEBEC CITY 418-522-1256	WOODSTOCK 519-539-9868
SHERBROOKE 819-563-2444	TORONTO 416-487-3445
TROIS-RIVIERES 418-326-2939	OTTAWA 613-234-0456

HEAD OFFICE

PLACE DU CANADA, MONTREAL, QUEBEC  
Phone 514-866-6351 — Telex 05-25122

CANADIAN COMPANY SERVING CANADIANS  
SINCE 1872

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1972  
ANNUAL REPORT

THE GUARANTEE COMPANY  
of NORTH AMERICA

PLACE DU CANADA, SUITE 1560, MONTREAL 101, QUEBEC

FIDELITY AND SURETY BONDS  
PROPERTY AND AUTOMOBILE INSURANCE

THE COMPANY THAT INTRODUCED FIDELITY INSURANCE TO NORTH AMERICA  
INCORPORATED STATUTES OF CANADA 1851 • FEDERALLY LICENSED 1872



TO THE SHAREHOLDERS

The year 1972 inaugurated the second century of service to Canadians by your Company. Our Centennial celebration was memorable and, while the last century closed with a record year, the first year of the new century has set forth a new mark in both business growth and increased profit.

Your Directors are pleased to submit this year's statement. The increase of 39% in Net Premiums Written was shared by all classes of underwriting, and the Net Profit benefitted not only from improvements in claims experience and a substantial increase in investment income, but also from continuing operational efficiencies. These gratifying results are complemented by the unity of purpose and effort of faithful independent agents, dedicated management and staff. We are indeed grateful for the enthusiasm shown by all of these participants.

As so often happens, saddening events do occur in times of celebration, and it is with deep sorrow that we record the untimely accidental death of Mr. J. Ralph McLaughlin, a valued director and one who contributed much. Mr. R. B. Lawson, Q.C., expressed the wish to retire from the Board, and his resignation was regretfully accepted. In the fall of the year we were fortunate to appoint as director Mr. Lyle E. Wells, P.Eng., of Perth, Ontario, then Engineer for the County of Lanark, who is making a noteworthy contribution to the Board's decisions.

We are sorry to report that on the 27th day of June a former President passed away. Mr. H. Millar Rawlings served on the Board from 1940 to 1970 and as President from 1949 to 1960. He was the grandson of Edward Rawlings, who was Manager of the Company from its inception in 1872 and President from 1894 to 1911.

Your Company is part of an industry which provides an indispensable service to Canadians both individual and commercial. Our goal to supply the best service and expand our business can be attained only by people, individuals who aspire to a high standard of performance. Thus, as your Company grows, there is an accompanying requisite for preparing and training qualified men and women who will continue to achieve the progress planned for future years.

We are convinced that a free and competitive environment, which offers a reasonable profit as a reward for diligence, is a two-fold blessing. Its presence is vital to the growth of any industry, and it provides the individual with the impetus for greater effort. We are privileged to find ourselves in this happy situation. We look forward to a year of advancement, assured that through the efficiency and productivity of our staff we will provide the public with a helpful service and gain a correspondingly rewarding quality of life.

*G.A. Savage*

President

BALANCE SHEET AS AT DECEMBER 31, 1972

	1972	1971
<b>ASSETS</b>		
Cash	\$ 131,360	\$ 111,324
Marketable securities at market value (Cost: 1972 \$14,660,125; 1971 \$11,221,432)	14,019,638	10,567,964
Mortgage loans on real estate	136,896	145,340
Interest and dividends due or accrued	184,244	163,526
Investment in property at cost	—	47,300
Agents' balances written on or after October 1	2,145,154	1,497,915
Due from reinsurers	180,843	117,802
Other receivables and prepaid expenses	272,138	534,208
Trust fund for claims of reinsurers	460,493	393,453
Furniture and equipment less depreciation	63,486	51,284
	<u>\$17,594,252</u>	<u>\$13,630,116</u>
<b>LIABILITIES</b>		
Claims in course of settlement	\$ 4,709,451	\$ 4,092,103
Unearned premiums	5,795,582	4,349,027
Guarantee bond special provision	464,708	369,370
Reinsurers' deposits	460,493	393,453
Other liabilities and accrued charges	669,497	393,360
Voluntary pension reserve	18,763	28,233
Income taxes payable	50,352	—
	<u>12,168,846</u>	<u>9,625,546</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock		
Authorized 200,000 shares at \$5		
Issued 133,720	668,600	668,600
Surplus	<u>4,756,806</u>	<u>3,335,970</u>
	<u>5,425,406</u>	<u>4,004,570</u>
	<u>\$17,594,252</u>	<u>\$13,630,116</u>
<b>ON BEHALF OF THE BOARD:</b>		
Director	<i>[Signature]</i>	
Director	<i>[Signature]</i>	

AUDITORS' REPORT

To The Shareholders of  
The Guarantee Company of North America

We have examined the balance sheet of The Guarantee Company of North America as at December 31, 1972 and the statement of income and surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1972 and the results of its operations for the year then ended, in accordance with accounting practices prescribed or permitted by the Department of Insurance of Canada as explained in Note 1 to the financial statements, applied on a basis consistent with that of the preceding year.

February 23, 1973

RIDDELL, STEAD & CO.  
Chartered Accountants

STATEMENT OF INCOME AND SURPLUS

	1972	1971
Gross premiums written	\$13,766,244	\$9,229,670
Net premiums written	<u>11,351,508</u>	<u>8,170,818</u>
NET premiums earned	9,904,953	7,832,645
Claims and adjusting costs	5,466,330	4,532,746
GROSS UNDERWRITING PROFIT	<u>4,438,623</u>	<u>3,299,899</u>
<b>Expenses:</b>		
Provincial premium taxes and licenses	271,730	214,224
Other expenses	3,541,330	2,770,650
Depreciation on equipment	15,872	12,821
	<u>3,828,932</u>	<u>2,997,695</u>
UNDERWRITING PROFIT	<u>609,691</u>	<u>302,204</u>
Investment income—net	<u>647,466</u>	<u>742,906</u>
Profit (loss) on investments sold	103,239	(27,139)
Increase in special guarantee bond reserve	(95,338)	(70,085)
Decrease in over-90-day agents' accounts	3,636	9,200
INCOME BEFORE INCOME TAXES	<u>1,468,694</u>	<u>957,086</u>
Income taxes	<u>52,000</u>	<u>7</u>
NET INCOME for the year	<u>1,416,694</u>	<u>957,086</u>
EARNED SURPLUS January 1st	3,989,438	3,062,352
Litigation settlement	( 8,839)	(30,000)
EARNED SURPLUS December 31st	5,397,293	3,989,438
Investment reserve for market value of securities	640,487	653,468
SURPLUS DECEMBER 31st	<u>\$ 4,756,806</u>	<u>\$3,335,970</u>

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the basis of following the principal requirements of the Department of Insurance of Canada for reporting in annual statements filed with them. These requirements differ in some respects to generally accepted accounting principles followed by other types of business enterprises. The principal differences include:

- (a) Investment reserve for market value is adjusted annually to reflect the change in market values of securities held at the end of the year and is credited or charged to earned surplus;
- (b) The income tax charge against operations is determined using the taxes payable method.

2. INCOME TAXES

The accumulated amount of deferred income taxes resulting from the claiming for tax purposes of provisions for unearned premiums in excess of amounts recorded in the accounts is approximately \$754,000 (1971 \$544,000).